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## South Africa, Republic of

### Wine

### Annual

### 2005

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**Report Highlights:**

The latest figures indicate that South Africa's 2005 wine grape production is expected to decrease by 11.8% from last year to reach 1.157 million MT. Wine production in 2005, which includes juice and concentrate for non-alcoholic purposes, rebate and distilling wine, is expected to reach about 8.96 million HL, at an annual recovery rate of 7.74 HL per ton of grapes.

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## Executive Summary

The latest figures indicate that South Africa's 2005 wine grape production is expected to decrease by 11.8% from last year to reach 1.157 million MT, because of severe drought and scattered heavy rains in the vine growing areas of the Western Cape. Wine production in 2005, which includes juice and concentrate for non-alcoholic purposes, rebate and distilling wine, is expected to reach about 8.96 million HL, at an annual recovery rate of 7.74 HL per ton of grapes. Red wine production will increase because of the increase in area harvested. Although the crop produced good quality white wines, a shortage is expected especially in Chardonnay and Sauvignon Blanc varieties.

South Africa's 2005 exports of natural wine are expected to grow by 12% compared to last year, despite the lower production. The industry expects to sell more of its export-quality wines in the domestic markets because of a strong Rand. Imports are expected for distilling wine and concentrate for sweetening this year, while juice imports are expected for 2006.

## Production

South African Wine Information & Systems (SAWIS) reported that the 2005 wine grape harvest is expected to decrease by 11.8% because of severe drought and unpredictable weather in the vine-growing areas in the Western Cape.

The white wines, although lower in quantity, are expected to be of good quality. Shortage is expected especially for Chardonnay and Sauvignon Blanc varieties because of a lower crop this year resulting from a severe drought. Natural wine production is expected to total 8.96 million HL, or about 13% less than in 2004. The recovery rate for juice and concentrate for non-alcoholic purposes, rebate and distilling wine is expected at 7.74 HL per ton of grapes. The significant decrease of wine production was due to a severe drought that extended for two years and unpredictable weather.

TOTAL AREA PLANTED TO ALL VINES						
	2002		2003		2004	
VINE TYPE	VINES ('000)	HECTARES	VINES ('000)	HECTARES	VINES ('000)	HECTARES
Wine grapes*	295,637	96,233	300,845	98,605	305,010	100,207
Table grapes**	23,733	11,173	23,733	11,946	24,493	13,354
Sultana**	21,031	11,765	20,756	11,595	20,349	11,392
Rootstocks	262	92	275	98	283	96
Currants	1,045	348	1,065	356	1,043	354
<b>Total</b>	<b>341,708</b>	<b>120,383</b>	<b>347,434</b>	<b>124,008</b>	<b>351,747</b>	<b>124,749</b>

Source: SAWIS

\* = Includes Hanepoot also used as table grapes and for raisins

\*\* = A small fraction is used for wine

\*\*\* = For raisins only

## PRODUCTION PER REGION

2005 is expected to produce more red wines than the whites. Grape bunches were looser and smaller than usual as a result of the lush growth. Sun damage was limited as there were fewer heat waves despite the drought. As a result of high humidity in November and December and less wind - southeast and other – botrytis and fungus caused harvest loss. Vineyards were however relatively disease-free and no significant problems were experienced, except for insect plagues in regions around Stellenbosch and Paarl.

The harvest came four weeks earlier, and many cultivars ripened simultaneously at the beginning of each season. We expect shortages of good quality white wines, especially Chardonnay and Sauvignon Blanc wines, later this year.

DISTRICT	WINE GRAPE PRODUCTION IN MT		
	2003	2004	2005
	Actual	Actual	Latest Estimates
Orange River	144,697	206,193	162,274
Olifants River	205,150	178,590	176,447
Malmesbury	109,118	103,947	97,710
Little Karoo	42,301	44,522	36,018
Paarl	144,833	138,802	139,080
Robertson	176,440	184,095	154,640
Stellenbosch	114,285	115,276	116,469
Worcester	296,865	340,759	274,993
<b>Total Grape Prodn (MT)</b>	<b>1,233,689</b>	<b>1,312,184</b>	<b>1,157,631</b>
<b>HL/MT grapes</b>	<b>7.75</b>	<b>7.74</b>	<b>7.74</b>
<b>Wine Prodn (mil. HL)</b>	<b>9.560</b>	<b>10.157</b>	<b>8.96</b>

Source: SAWIS ; (April 29,2005)

#### STELLENBOSCH

The 2005 harvest in Stellenbosch is expected to remain the same as last year, but with quality red grapes because of slow ripening as a result of good rains in January.

#### PAARL

2005 harvest remains fairly stable from last year. The season produced a healthy Sauvignon Blanc crop. However, a 42°C heat wave that caused stress on the vineyards that was followed by 60mm to 80mm of rain resulted in a later harvest at drastically high sugar levels for other wine grape varieties.

#### SWARTLAND

The 2005 total harvest decreased by about 10% from last year because of extreme dry and cool climatic conditions. Expectations are for production of soft but drinkable wines, with a short lifespan of not more than 5 years. Sauvignon Blanc and Pinotage were harvested before the late rains. Chenin grape varieties were of a lower quality, with high pH values (more alkaline than acidic). Chardonnay and Merlot wines are also expected to keep for maximum 5 years. Shiraz wines are expected to be elegant and full.

#### ROBERTSON

The 2005 total wine grapes harvest decreased by 16% from last year because of a drought. The white grape harvest decreased by 25% because of botrytis infestations. Phenolic ripeness was also difficult in the late Cabernets. However, Cap Classique wines are expected to reach world standard this year. The Chardonnay and Shiraz at this stage are quite elegant.

#### WORCESTER

The 2005 harvest decreased by 19% from last year to reach 274,993 MT because of poor berry development that resulted from the drought. Shortage for white wine varieties is expected because of poor pickings. However, the drought is expected to produce exceptionally rich full-bodied red wines and fruity white wines. At the beginning of the season the dam's water levels were high enough for the growth season, although the ground

table was low. This allowed wine producers to control grain size and to ensure a better husk-to-juice ratio. As a result of the dry weather there were fewer diseases, and spraying was reduced considerably. Harvest was early and yielded grapes with good chemical composition because of early optimal ripeness.

#### LITTLE KAROO

The 2005 grape production is expected to decrease by 19.1% from last year because of fungi and Botrytis infestations that result from continuous rainfall, especially in the Tradouw valley. Production of early white grape varieties was minimally affected as compared to the red grapes that lost colour and flavour. Despite the uncooperative weather, wine quality is forecast as promising, especially on vines that were established on well-drained slopes.

#### OLIFANTS RIVER

The 2005 figures for total wine grape harvest shows a slight decrease (1.2%) for red and white grapes varieties. The harvest started two weeks earlier because of warm and dry weather. Sauvignon and Chenin Blanc were pressed before mid-February and wines look promising. Late ripening Shiraz and Cabernet Sauvignon were only pressed by end March, and the quality is above average, with concentrated flavors, and dark colors. A smaller quantity of wine is expected for bottling to maintain the same quality as previous years.

#### ORANGE RIVER

The region was exposed to long periods of heat waves in December and January that resulted in an early harvest. Harvest consisted of lighter and smaller bunches of grapes. The total wine grape harvest decreased by 21.3% from last year because of lighter and smaller bunches of grapes especially for Colombar, Chenin Blanc, and Ruby Cabernet. The sultana crop is expected to be the smallest in decades.

Source: SAWIS ; **(April 29,2005)**

## Production Subcategory

South Africa, Republic of Wine							
	2002	Revised	2003	Estimate	2004	Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
TOTAL Grape Crush	1210	1234	1200	1312	0	1158	(1000 MT)
Begin Stock (Ctrl App)	0	0	0	0	0	0	(1000 HL)
Begin Stock (Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Beginning Stocks	2220	2220	2530	3368	2600	3637	(1000 HL)
Prod. from Wine Grapes	6700	6960	6400	6657	0	5960	(1000 HL)
Prod. from Tabl Grapes	2600	2600	2600	3500	0	3000	(1000 HL)
<b>TOTAL PRODUCTION</b>	<b>9300</b>	<b>9560</b>	<b>9000</b>	<b>10157</b>	<b>0</b>	<b>8960</b>	<b>(1000 HL)</b>
Intra-EU Imports	310	0	320		0	0	(1000 HL)
Other Imports	0	435	0	13	0	370	(1000 HL)
TOTAL Imports	310	435	320	13	0	370	(1000 HL)
TOTAL SUPPLY	11830	12215	11850	13538	2600	12967	(1000 HL)
Intra-EU Exports	1840	0	2200	0	0	0	(1000 HL)
Other Exports	320	2329	330	2616	0	2930	(1000 HL)
TOTAL Exports	2160	2329	2530	2616	0	2930	(1000 HL)
Dom.Consump(Cntrl App)	7140	6518	6720	7285	0	7453	(1000 HL)
Dom.Consump(Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Dom.Consumption	7140	6518	6720	7285	0	7453	(1000 HL)
End Stocks (Cntrl App)	2530	3368	2600	3637	0	2584	(1000 HL)
End Stocks (Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Ending Stocks	2530	3368	2600	3637	0	2584	(1000 HL)
<b>TOTAL DISTRIBUTION</b>	<b>11830</b>	<b>12215</b>	<b>11850</b>	<b>13538</b>	<b>0</b>	<b>12967</b>	<b>(1000 HL)</b>

## Consumption

We expect domestic consumption of natural wine to increase by 2% in 2005 and to continue to increase by a smaller rate. Per capita consumption will increase slightly to reach 0.29 HL in 2005 from 0.28 HL in 2004. This analysis is based on the drinking population (2,5472,169) from the census 2001, released in 2004. South Africa's normal drinking age start at 18 years, however, because of the age ranges appearing in the census report, drinking age is calculated from 20 yrs old.

According to SAWIS forecasts, demand for red wine in the medium price range is expected to surpass supply in 2008 – 2009. Red wine imports are therefore expected to increase. The 2005-2009 domestic demand for white wine, rebate wine, distilled wine, and non-alcoholic wine will also exceed supply.

<b>DOMESTIC SALES OF NATURAL WINE (In HL)</b>			
	<b>Jan-Dec 2003</b>	<b>Jan –Dec 2004</b>	<b>Market Share(Jan-Dec 04)</b>
CWSI	1,226,031	1,214,240	39.33
Other Wholesalers	495,061	487,425	15.79
Cellars	267,364	292,835	9.49
Co-operatives	976,279	999,789	32.39
<b>Sub-total</b>	<b>2,964,735</b>	<b>2994289</b>	<b>96.99</b>
Wine component of alc fruit bev	117,233	92787	3.01
<b>Total</b>	<b>3,081,968</b>	<b>3,087,076</b>	<b>100.00</b>

Source: SAWIS

## Consumption Subcategory

Local wine prices are expected to increase because of a smaller harvest and reducing stock levels (reports, March 2005). Increasing number of local producers gradually sell to the local markets because of advantages of a strong Rand.

In 2004, natural wine reached a market share of 12.3% in the local alcohol market, below beer (43.4%) and traditional beer (24.7%), and above brandy (6.5%), other spirits (4.4%), alcoholic fruit beverages (3.4%), whisky (2.7%), fortified wine (2.4%), and sparkling wine (0.3%). Per capita consumption (in litres) reached 6.73 for natural wine, 0.17 for sparkling wine, and 0.75 for fortified wine, in the same year.

## Trade

South Africa's 2005 exports of natural wine are expected to grow by 12% compared to last year despite a lower total production.



South Africa, Republic of Wine			
Time Period	Jan-Dec	Units:	HL
Exports for:	2003		2004
U.S.	54,619	U.S.	70,188
Others		Others	
U.K.	940,432	U.K.	967,486
Netherlands	452,722	Netherlands	450,964
Germany	187,276	Germany	299,411
Sweden	108,471	Sweden	166,212
Denmark	77,061	Denmark	87,309
Belgium	75,369	Belgium	76,702
New Zealand	65,624	Canada	73,820
France	58,500	New Zealand	65,495
Ireland	42,932	Ireland	52,124
Finland	33,072	France	48,225
Total for Others	2041459		2287748
Others not Listed	233,285		258,258
<b>Grand Total</b>	<b>2329363</b>		<b>2616194</b>

Source: WTA

South Africa, Republic of Wine			
Time Period	Jan-Dec	Units:	HL
Imports for:	2003		2004
U.S.	126	U.S.	173
Others		Others	
Argentina	427,724	Portugal	4,769
France	2,579	France	3,368
Italy	1,704	Italy	1,774
Portugal	1,544	Netherlands	1,414
Belgium	356	Chile	253
U.K.	291	U.K.	247
Israel	215	China	230
Spain	200	Israel	168
Chile	100	Australia	166
Greece	45	Argentina	154
Total for Others	434758		12543
Others not Listed	391		293
<b>Grand Total</b>	<b>435275</b>		<b>13009</b>

Source: WTA

## Stocks

The wine industry latest figures indicate a decrease in natural wine stock level of about 29% from last year to reach 2.58 million HL by December 31, 2005.

## Policy

No change in policy. Also refer to SF 4024.

The South African Wine and Spirit Board conducted a random testing for illegal flavorants in 2004 vintage Sauvignon Blancs, covering about 25% of South Africa's producers of the varietals and all the Cape's wine-growing districts. Illegal flavorants were found from only one producer, KWV, out of those sampled. The flavorants were added to 2004 KWV Reserve Sauvignon Blanc and the 2004 Laborie Sauvignon Blanc. 67,000 Litres of the contaminated wine, valued at about R1 million were destroyed. Flavorants may not pose a health risk to consumers, but it is illegal to use them to change the character of wines. Labelling regulations requires the label should represent the content in a container (Source: Supermarket & Retailers, Jan 2005).

## Marketing

South African wines occupy a unique position among New World wine producers. Most of the wine is from the Western Cape, famous for its varied topography, soils, microclimates and vegetation. Research is assisting producers to better manage current sites and to establish new locations for vines, at high-lying mountain areas or around the nearby Indian or Atlantic oceans. Recently, South African wine farmers are experimenting with Italian and Spanish cultivars, moving away from the traditional French varieties.

Prices commanded by some of South Africa's top wines at the 2005 Nederburg auction, which took place in Paarl on April 9, more than doubled, and was boosted by a more restricted, higher quality offering, with the average price per nine-litre case of wine rising to R2 145 from R843 in 2004. The annual Nederburg auction is South African wine industry's most prestigious showcase of wines. It is organised and sponsored by Distell – one of South Africa's largest listed wine and spirits producer.

However, wine industry commentators believe the escalated prices do not reflect the current domestic market conditions in general, but only those for the highest-priced, niche sector of the market. Many maintain that red wine prices are likely to remain flat or decline slightly this year given the rising supply of red wine and stiff competition in the local market (particularly in the middle-and lower-priced market segments), while higher quality white wines, in relatively short supply, could experience moderate price increases this year.

## Marketing Subcategory

<b>AVERAGE PRODUCER PRICES FOR WINE GRAPES AT COOPERATIVES (RAND/TON)</b>			
	<b>2002</b>	<b>2003*</b>	<b>2004*</b>
<b>RED VARIETIES</b>	R10.5 = \$1	R7.6 = \$1	R6.24 = \$1
Cabernet Sauvignon	4,442	3,978	2,822
Cinsaut	2,736	2,690	1,966
Merlot	3,925	3,543	2,420
Pinotage	3,557	3,127	2,069
Pinor Noir	2,892	3,071	2,275
Shiraz	3,674	3,415	2,400
Other Reds	1,257	2,637	1,808
<b>WHITE VARIETIES</b>			
Colombar	801	1,055	952
Semillon	1,230	1,588	1,549
Hanepoort White	799	1,074	1,064
Cape Riesling	881	1,289	1,227
Sauvignon Blanc	1,841	2,114	2,440
Chenin Blanc	916	1,207	1,071
Chardonnay	1,984	2,194	2,264
Other whites	615	843	862
<b>All varieties</b>	<b>1,307</b>	<b>1,583</b>	<b>1,321</b>

Source: SAWIS; \* = estimates

<b>AVERAGE PRICES OF NATURAL WINE SOLD IN BULK (R/HL)</b>		
TYPE	2003 (Jan-Dec)	2004 (Jan-Dec)
Cabernet Sauvignon	798.53	678.74
Cabernet Franc	736.52	650.08
Merlot	728.95	619.63
Pinotage	635.85	510.18
Ruby Cabernet	617.91	542.65
Shiraz	756.52	635.30
Cinzaut	537.18	482.80
Chardonnay	470.17	485.06
Sauvignon Blanc	481.06	497.24
Colombar	273.69	264.20
Riesling	281.41	281.96
Semillon	330.08	336.02
Chenin Blanc	302.90	290.08
All varieties	378.06	354.16

Source: SAWIS

## EXCISE DUTY

Excise duty Wine (Rand/Litre)		
	February 18, 2004 (Rand/Litre)	February 23, 2005 (Rand/Litre)
Natural wine	1.1710	1.4052
Wine-based Wine	1.1710	1.4052
Sparkling wine	3.2332	3.8799
Fortified wine	2.3287	2.6314
Value Added Tax		
Date	VAT RATE	
April/7/1993 to 2005	14%	

**TERMS USED IN REPORTING**

Natural Wine = Total of Natural wine ( Hts 2204), plus Bulk wine(not sparkling, Hts 220421), and Sparkling wine ( Hts 220410).

For more information on wine, go to:

[www.sawis.co.za](http://www.sawis.co.za)

[www.wosa.co.za](http://www.wosa.co.za)